

The
Management
University
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UNDERGRADUATE UNIVERSITY EXAMINATIONS
SCHOOL OF MANAGEMENT AND LEADERSHIP
DEGREE OF BACHELOR OF MANAGEMENT AND LEADERSHIP

**BML 104: INTRODUCTION TO PURCHASING AND MATERIAL
MANAGEMENT**

DATE: 3RD APRIL 2017

DURATION: 2 HOURS

MAXIMUM MARKS: 70

INSTRUCTIONS:

1. Write your registration number on the answer booklet.
2. **DO NOT** write on the question paper.
3. This paper contains Six (6) questions.
4. Question **ONE** is compulsory.
5. Answer any other **THREE** questions.
6. Question one carries **25 MARKS** and the rest carry **15 MARKS** each.
7. **Write all your answer in the Examination booklet provided.**

QUESTION ONE

Read the Case Study below carefully and answer the questions that follow:

OPERATING UNCONVENTIONALLY

The Athlete's store Ltd, in Bonde La Ufa is an old family-owned sporting goods store, which is an anathema in the industry. The store was started to cater for the large number of athletic enthusiasts all around Bonde La Ufa. The shop is extremely successful, but not because owner Mr. Kiplang'at is a good manager. Instead, the 80 year-old Store is a big mess. The long glass counter in the store is covered with dust and with many crates containing everything from turn-of-the century golf clubs and barbells to hockey sticks, ancient balls, T-shirts jerseys, track suits and a great assortment of sports gear. Thousands of pairs of athletic shoes are stacked against the walls in no apparent order

What keeps customers coming back to Athlete's store Ltd is the incredible bargains they find and the unique atmosphere they encounter. The store's low overhead allows it to keep its prices low and its sales volume high. On Weekends, the store is so busy that a G4S security guard at the door lets customers in one at a time. Fourteen sales representatives hustle around the store serving one customer after another. One supplier was once heard saying, "Customers marvel at the stuff crammed in there, but the store has to be respected. It's the only one of its type"

Mr. Kiplang'at never takes inventory, so no one knows for sure exactly how many items are crammed into the store. One employee in a next-door business remarked that, "That place is so disorderly, I don't think I could ever work there." Another one claims that he was buried under an avalanche of clothing for several hours. "It took a rescue crew to pull me out,"

But more boxes arrive each day. Kiplang'at believes in a perpetual method of purchasing and he is always looking for other stores to buy out or for production overruns to buy at a bargain. One employee was once heard saying. "It doesn't matter how much of goods the store already has. If it's a good deal, he'll purchase it." There is a danger to the store's "inventory Control" system (or lack of one). If

anything were to happen to Kiplang'at, the business could fall apart. One employee claims," All the stock around here is only known by Kiplang'at."

Required

- (a) Assess the purchasing procedures used by Athlete's store Ltd. (5 marks)
- (b) Evaluate effects of poor inventory control as practised by the store. (4marks)
- (c) Discuss the importance of quality control in a business. (6marks)
- (d) Discuss the advantages of a centralized purchasing system. (5marks)
- (e) Argue on how you can improve the purchasing function in the store.(5marks)

QUESTION TWO

- a) Evaluate the importance and scope of purchasing in a firm (7 marks)
- b) Describe at least eight types of purchase systems. (8 marks)

QUESTION THREE

- a) Examine the role of stores management in purchasing (6 marks)
- b) Assess the importance of supplier evaluation or assessment, identifying the steps involved in selecting best supplier. (9marks)

QUESTION FOUR

- a) Differentiate between centralized and decentralized purchasing and provide their advantages (8 marks)
- b) Explain clearly the various costs that are involved in inventory problems with suitable examples. (7 marks)

QUESTION FIVE

- a) Discuss the effect of the JIT approach upon purchasing operations. (7 marks)
- b) Explain the benefits of benchmarking to a firm's purchasing activities(8marks)

QUESTION SIX

- a) Discuss ethical issues related to the purchasing staff. (8marks)

- b) Propose why you think it is advisable for a firm to procure materials internationally and not locally (7 marks)